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**Office of Health Plan Administration**  
P.O. Box 720724  
Sacramento, CA 94229-0724  
Telecommunications Device for the Deaf, TTY (916) 795-3240  
(916) 795-0041; FAX (916) 795-1513

May 12, 2009

**AGENDA ITEM 7b**

**TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Self-Funded Health Plans Third-Party Administrator Contract Extension
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Committee approve extending the Self-Funded Health Plans Third-Party Administrator contract for an additional twelve (12) month period. The 12 month extension will change the contract expiration date from December 31, 2010 to December 31, 2011.

**IV. BACKGROUND:**

Anthem Blue Cross (Anthem) is the third-party administrator for CalPERS self-funded health plans. The current contract with Anthem expires December 31, 2010, and has provisions permitting two additional 12 month extensions.

**V. ANALYSIS:**

Since 2008, Anthem has consistently provided quality medical administration services to approximately 325,000 CalPERS members enrolled in CalPERS self-funded health plans. Anthem has been a good partner to CalPERS and has assisted in the development and implementation of strategic initiatives (e.g. disease management, collaboration with the Pharmacy Benefit Manager, rural medical services outreach and e-Prescribing) to promote a healthier CalPERS population.

CalPERS is satisfied with Anthem's performance as the third-party administrator, particularly in the areas of provider contracting and operational transparency. Health care trends on the CalPERS Preferred Provider Organization (PPO) plans are favorable. Additionally, the potential return on investment from administering a request for proposal is limited given the recent PPO financial results.

**Next Steps**

If the Committee approves the 12 month extension, staff will immediately proceed with the process of negotiating the contract terms with Anthem.

**VI. STRATEGIC PLAN:**

This Item relates to Strategic Goal X: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

**VII. RESULTS/COSTS:**

Extending the Third-party Administrator contract for an additional 12 month period, ensures continued quality service is provided to the approximately 325,000 members in the self-funded plans.

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Ellen Badley, Chief  
Office of Health Plan Administration

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Gregory A. Franklin  
Assistant Executive Officer  
Health Benefits Branch